LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
301 State House
(317)232-9855

ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT

PROPOSED RULE: 02-16 **DATE PREPARED:** Jul 2, 2002
STATE AGENCY: Family and Social Services Administration **DATE RECEIVED:** May 21, 2002

FISCAL ANALYST: Alan Gossard
PHONE NUMBER: 233-3546

Digest of Proposed Rule: This rule amends 405 IAC 1-12 to revise the reimbursement methodology that the Medicaid program utilizes to reimburse nonstate-owned intermediate care facilities for the mentally retarded (ICFs/MR) and community residential facilities for the developmentally disabled (CRFs/DD). The rule provides that rebasing of Medicaid payment rates will occur every other year, rather than annually. The rule also makes other technical changes to remove outdated language and references to repealed provisions and to conform with federal and state statutes and regulations.

Governmental Entities: *State:* This rule provides for rebasing Medicaid reimbursement rates for ICFs/MR and CRFs/DD every other year, rather than annually. Consequently, the fiscal impact to the state will only occur in nonrebasing years, the first of which begins October 1, 2003. The estimated reduction in Medicaid payments for these facilities in the aggregate is approximately $2.5 M (state and federal) for SFY 2004. This represents a state expenditure reduction of about $1 M, based on a 38% cost share. (Because the first nonrebasing year will begin three months into FY 2004, the $2.5 M estimate is based on an estimated annualized expenditure reduction of about $3.3 M.) This represents an expenditure reduction of about 1.2% for these facilities.

The expenditure reduction results from the provision that rebasing of facility reimbursement rates will occur once every two years, rather than annually. The rule provides that during the nonrebasing years, facility costs for the purposes of determining a reimbursement rate are inflated by a published nursing home cost index (i.e., CMS Nursing Home without Capital Market Basket Index as published by DRI/WEFA). Based on an assumption that actual nursing home costs in Indiana in the near term will increase at a rate 1% to 3% greater than the published cost index, basing rate increases on the more slowly increasing cost index is estimated to result in an expenditure reduction of about 1.2% during the nonrebasing years.

This rule places no unfunded mandates upon state government.

Local: This rule places no unfunded mandates upon any local government unit.

Regulated Entities: This change in reimbursement rate-setting methodology will affect the approximately 550 nonstate ICF/MR and CRF/DD providers enrolled in the Medicaid program. The aggregate reduction in Medicaid reimbursement to these facilities is estimated to be about $2.5 M in SFY 2004 (about $3.3 M on an annualized basis).

According to the Office of Medicaid Policy and Planning (OMPP), these facilities have an average occupancy rate of 94% and virtually all nonstate ICF/MR and CRF/DD residents are Medicaid eligible.

Information Sources: Evelyn Murphy, OMPP, (317) 233-6467; Keenan Buoy, Myers and Stauffer, (317) 846-9521.